

Jute Market Report for September 2021

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4th October 2021

Bangladesh

Raw Jute: Throughout the month under review, raw jute demand from Pakistan, India and China increased. Pakistan was in the market for long jute Tossa and long Meshta but due to an acute shortage of Meshta fibre, Pakistan buyers mainly placed orders for BTR NB, BTR HD Tossa fibre as well as Tossa cuttings, such as BTCA and BTCB. In total, Pakistan placed orders for about 7.000 mtons. Indian buyers were in the market for long jute Tossa varieties such as BTR NB KS, BTR NB CS and BTR BS as well as jute cuttings for BTCA and BTCB and placed orders of around 2.500 mtons in total.

Other foreign buyers from countries like Nepal, Vietnam, Russia and Tunisia were in the market as well, but in view of continuing upward market trend they have placed orders more or less sporadically and not regularly. The market price situation is caused by an artificial crisis of fibres in the local market. It is expected that the increase of market prices is likely to continue unabatedly throughout the season. The local jute yarn and twine spinning mills as well as composite jute mills, being well aware about the raw jute / meshta market situation, procured as much quantity as possible and were even prepared to provide advance payments to the raw jute balers. Nonetheless most of the local buyers were unable to cover their entire requirements because of poor imports in the local market.

Consistent with the penury of fibre and the rather strong demand from local as well as from foreign buyers, raw jute and meshta prices increased further by about US\$ 50,00 per mtons during the month under review. It is unpredictable how much the market prices may still advance during the coming months. However, it seems as if the upward price tendency is likely to continue.

Raw jute exports during the period of July 2020 up to June 2021 amounted to 586.570 bales against 864.864 bales during the same period in 2020.

Weather conditions: During the month under review the entire country witnessed moderate rainfalls combined with good sunshine.

Jute Yarn and Twine: There were regular export inquiries for both high and low quality of Jute yarn and twine from regular importing countries like Turkey and Iran. Besides there was demand from other foreign markets such as India, China, Vietnam, Indonesia, Malaysia, Uzbekistan, the Middle East, Europe and USA. Prices increased again during the month under review. But due to abnormal hike of sea freight rates, most of the buyers couldn't place their orders as per their requirements. International buyers who badly needed shipments are placing their orders despite of higher container freight rates.

On the other hand, due to not getting the required orders as per the mills production capacity as well as upward market situation, most of those mills being financially not well off were forced to reduce their production capacity significantly.

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Export price: Export prices for light and heavy count of jute yarns and twines remained stable during the month under review.

Jute Goods: Export demand for Hessians and Sackings from Africa, Europe, Australia and USA increased during the month under review. Exports of unstitched Binola and B-Twill fabrics to Indian buyers were on a regular level. Jute CBC demand from the regular importing countries like Europe, UK and Japan was on a regular level during the month under review. An increased demand for Sacking and Hessian Jute Bags was observed from the local market. Although there were enquiries on a regular basis but due to higher container freight rate conclusion of orders were less regular. Export prices of Hessians, Sackings and CBC have remained stable during the month under review.

Small jute mills of Rangpur Division in the country's North West have resumed production after remaining shut for several months as raw jute prices soared after last year's harvest and for the Covid-19 pandemic business losses. Some 130 composite jute mills listed with the Bangladesh Jute Mills Association (BJMA) are operational. The northern region accounts for nearly 70 mills, most of which are small and medium in size. Those mills cater for the local market as well as for export destinations including India.

By end of the month under review it was reported that some interest was shown by investors for purchasing some of the 25 jute mills belonging to BJMC which were closed by the Government of Bangladesh on 1st July 2020. Reportedly a total of 14 national and international companies were still in the race for mill acquisitions. Going by Bangladesh media reports as many as 12 out of 26 once state-run jute mills that were closed last year are set to reopen soon under the management of local and international private companies. Further developments have to be awaited.

Export fee for jute to see four-fold rise: The current revenue fee stands at Tk2 per bale of raw jute exports, while the rate is Tk0.1 against the export of Tk100 worth of jute products.

Revenue fee is going to be increased by 400% for exports of jute and jute products, the lone \$1 billion forex earner alongside the biggest contributor apparel sector.

In this way, the department will earn an additional Tk12-17 crore. Banks will deduct the fee at source at the time of exports. The current revenue fee stands at Tk2 per bale of raw jute exports, while the rate is Tk0.1 against the export of Tk100 worth of jute products. The rate was fixed by the Bangladesh Bank in July 1995 as per a proposal from the Textiles and Jute Ministry. The Jute Department charges the amount as an inspection fee beyond the 0.35% source tax levied by the National Board of Revenue on exports of jute and jute goods.

Banks deduct the fee while handing over export documents and submit it to the jute department as a non-tax revenue, according to a central bank circular.

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When exports of all major products, including readymade garments, plummeted during pandemic-triggered lockdowns across the globe last year, jute showed a lot of promise, putting up an excellent performance. But in the first month of the current fiscal year, the jute sector started registering a big slump.

Exporters think an increase in the revenue fee collected as an inspection fee during this time will have a serious negative impact on jute and jute exports.

The current chairman of Bangladesh Jute Goods Exporters Association Corporation (BJGEA), told that demand for jute and jute products in the international market has dropped drastically under pandemic impacts. As a result, last July, exports fell by half year-on-year.

In this situation it is unthinkable to impose additional charge on revenue from exporters. If the jute department decides to charge 400% revenue fee in the name of the inspection fee, it will severely hamper exports, he added.

On 1 April this year, the then Director General of the Jute Department Hossain Ali Khondakar wrote a letter to the Textiles and Jute Ministry, proposing increasing the revenue fee for raw jute exports from Tk2 to Tk10 per bale and for jute product exports 0.50% instead of 0.10%.

The department collects revenue amounting to BDTk 30 to 35 mio. a year at the existing rate. If the revenue is available at the proposed rate, it will increase to Tk15-20 crore.

The Jute Department mentioned the Government's 8% - 20% cash incentives for exports of jute and jute products as a logic to increase the revenue fee.

According to the Export Promotion Bureau (EPB), exports of jute and jute products raked in \$1.16 billion in FY21. The Bangladesh Commerce Ministry set a target to fetch \$1.42 billion in export earnings from the sector in the current fiscal year. The sector export earnings in July this fiscal year amounted to \$60.77 million, which was 41% less than in the same month a year ago and 50% short of the monthly target.

According to Bangladesh Bank, the government has offered 20 % cash incentive for export of diversified jute products, 12% for exports of jute hessian, sacking and carpet backing cloth and 6% for exports of jute yarn and twine.

COVID-19 update: According to the Health Minister of Bangladesh 20 % of the population of Bangladesh will get vaccinated by December 2021 under COVAX facility and gradually 40 % of the population will get vaccinated in phases. The number of daily infection cases declined to 589 by end of last month.

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India

Raw Jute: As raw jute prices have rapidly increased the Jute Commissioner has fixed ceiling prices for Indian raw jute as per attached notification dated 30th September (see page 5). The ruling market prices quoted by the Jute Balers Association (JBA) end of last month were as follows: TD-4 IRs 7.000 and TD-5 IRs 6.700 per 100 kgs.

The final crop estimate stands now at 5.5 mio. bales for the crop year 2020-21. The carry forward from last year's crop is 295.000 bales. The crop estimate for 2021-22 has been revised to 8.5 mio. bales.

New Crop: With good rains, water and sunshine the quality of fibre of 2021-22 crop is likely to be very good. The reported plant length varies between 10 to 16 ft, with an average of around 12 ft. The harvesting completion rate reached 90 % while jute arrivals are still poor: Arrivals till now are still below 7.450 mtons. Normally, by this time of the year arrivals should be around 11.205 mtons (= 300.000 maunds). Rainfall reported 100 %. Monsoon ended on 30th September.

Jute Yarn and Twine: Local demand is picking up and prices ruling firm. Demand is mainly coming from local mills consumption and for sewing of jute bags. This means an increased local production of jute yarn/twines and increasing imports from Bangladesh though like in the case of jute goods imported from Bangladesh there is a detention of more than 10 days at the border.

Jute Goods: Situation during the month under review presents itself as follows: Hessians firmed up. Selective mills asking for premium of 7 % against prices quoted by „standard“ mills. Export demand is slow mainly due to prevailing excessively high container freight rates. Local demand is picking up. Prices for sackings also firmed up: Now IRs 115.000 to 118.000 per mton, with selective mills asking for premium of 7 % against prices quoted by „standard“ mills.

B-Twills: The Indian Government ordered approx. 250.000 bales of B-Twill bags during the month under review. The current backlog is around 50.000 bales.

Availability of Jute Carpet Backing Cloth is reported from December delivery, but limited sellers are in a position to hold prices.

Jute goods production of IJMA jute mills and jute mills reporting to IJMA in June 2021 amounted to 61.600 mtons of which 2.900 mtons were jute yarns/twines. IJMA statistics for the latest months not available.

Covid-19 update: At the moment the pandemic situation in India is so good that for the first time since March 2021 the subject of Corona is no more making headlines and this already for a while. The number of new daily infections has meantime dropped to <30.000 cases per day. Since 19th September, India is no more considered to be a high risk country. Nevertheless, lockdown with

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certain relaxation has been extended until 31st October. Local train services have not yet resumed. Flights for selected international routes are gradually opening up.

Ocean Freight Rates: The head of one of Asia's biggest shipping companies has warned that governments may need to intervene to „restore order” to a global logistics market tormented by chronic delays, supply chain disruption and record container rates. In an interview with the Financial Times Takshi Hshimoto, president of Mitsui OSK Lines which is part of Ocean Network Express, one of the world's biggest shipping alliances, said the industry had miscalculated how long the disorder of the pandemic would last. Container rates hit an all-time high of US\$ 11.109,00 in mid-September 2021 after falling below US\$ 1.500,00 at the start of the COVID-19 pandemic, according to data provider Freightos.

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No.Jute(Mktg)/139/2021 Date: 30-09-2021

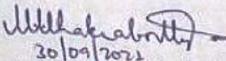
NOTIFICATION

In exercise of the powers conferred under Clause 3 (3) of the Jute and Jute Textiles Control Order, 2016, I, Moloy Chandan Chakraborty, Jute Commissioner, hereby fix the reasonable price of jute in all forms to be in force until 30th June, 2022 or further orders whichever is earlier as mentioned below and under Clause 3 (5) of the Jute and Jute Textiles Control Order, 2016 no dealer, trader, agencies or supplier or any other person shall sell or offer to sell any person or agency or company offer to purchase or purchase any raw jute at a price exceeding the reasonable price mentioned below in this Notification.

	EX-WEST BENGAL	EX-OTHER STATES
	TDN-3	TDN-3
	WN-3	WN-3
Tossa	6500	6800
White	6500	6800

TDN3 and WN3 is equivalent to TD-5 and W-5.

The grade differentials of other grades will be same as market price being ruled as on 30-09-2021. The amount of interest/penalty etc payable if any by the purchasers on delayed payments or for any other reasons are matters solely between purchaser & supplier & will be outside /additional to the above ceiling reasonable prices.


 30/09/2021
 (Moloy Chandan Chakraborty)
 Jute Commissioner